Measures for Improving Credit Growth

715. SHRI LAJPAT RAI: Will the Minister of FINANCE be pleased to state:

(a) whether the credit growth is slowing down at the national level;

(b) if so, the reasons therefor;

(c) the details of growth as against deposit growth in 1998-99; and

(d) the remedial measures taken or proposed to be taken to improve the credit growth?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The growth in bank credit comprising both food credit and non-food credit from scheduled commercial banks decelerated from 16.4% in 1997-98 to 13.8% in 1998-99. The deceleration in credit growth during 1998-99 reflected the slowdown in industrial activity, depressed capital market condition and decline in exports. However, during the period upto November 5, 1999 in the current financial year, bank credit from scheduled commercial banks increased by 6.8 per cent as against 4.1 per cent in the corresponding period of the previous financial year.

(c) Bank credit from Scheduled commercial banks registered a growth of 13.8 per cent in 1998-99 while their aggregate deposits (excluding proceeds from Resurgent India Bonds) registered a growth of 16.3 per cent in the same year.

(d) The Monetary and Credit Policy announcements during 1998-99 and 1999-2000 have accorded high priority to the creation of an appropriate liquidity situation that would facilitate economic growth with price stability. The Reserve Bank of India announced reduction in the level of Cash Reserve Ratio (CRR) by 2 percentage points between August, 1998 and November, 1999 to augment the lendable resources of commercial banks. The Reserve Bank of India also effected a 3 percentage point cut in the Bank Rate between January 1998 and March, 1999. In response to these measures, the prime lending rate (PLR) of the major banks declined from 14.0 — 14.5 per cent in January, 1998 to 12.0 — 12.5 per cent in November, 1999.

The Reserve Bank of India also announced other measures in its mid-term review of monetary and credit policy for 1999-2000 to boost credit growth in the economy. These include withdrawal of interest rate surcharge of 30 per cent on import finance in November, 1999 and arrangements for provision of credit to certain sectors like agriculture, exports, micro-credit institutions, small scale industries and housing on reasonable terms.

Phase II of Economic Reforms

716. SHRI RAJUBHAI A. PARMAR:

SHRIMATI VEENA VERMA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to launch phase II of the Economic Reforms;

(b) if so, what are the objectives and goals of this phase of the economic reforms; and

(c) the steps being taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The goal of economic reforms is "faster growth with employment and equity". To achieve this, repaid and broad-based growth of 7 to 8 per cent is required which will help eradicate poverty and unemployment. This is possible only by pursuing a bold strategy of economic reforms.

(c) The steps being taken include the setting up an Expenditure Commission, tax reforms, formulation of a fiscal responsibility Act, reforms of bank and financial institutions, a programme for rural connectivity, a National health policy, a water policy, renewed thrust on information technology and promoting efficiency of investments in the infrastructure sectors.

Illegal practices of foreign banks for collection of dues

717. SHRI RAJUBHAI A. PARMAR Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention was drawn to the modus operandi, adopted by agents of some foreign banks called the "customer-assistance specialists", as reported in the Indian Express of